

MONTHLY NEWSLETTER

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Machhapuchpuchhre Capital
Research and Trading Team





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NEPSE HIGHLIGHTS

Index	Index	Gain/Loss	Turnover (In Millions)
NEPSE Index	1,994.6	7.70%	36,403.24
Sensitive Index	376.36	5.41%	7,239.50
Float Index	137.53	7.39%	32,542.35
Sensitive Float Index	122.51	5.18%	7,208.75

Particulars	Index	Gain/Loss	Beta	Turnover (In Mills.)
NEPSE Index	1,994.6	7.70%	1.00	36,403.24
Banking Sub Index	1,197.10	2.06%	0.86	3,500.17
Development Bank Index	3,941.68	11.12%	1.05	1,684.84
Finance Index	1,779.46	10.89%	1.22	1,217.12
Hotels And Tourism	5,426.57	8.18%	1.23	1,401.67
Hydropower Index	2,220.59	14.69%	1.41	8,609.04
Investment	71.34	9.75%	0.99	1,847.95
Life Insurance	11,094.93	14.38%	1.03	5,745.47
Manufacturing And Processing	5,146.05	3.32%	1.03	4,158.46
Microfinance Index	3,522.28	3.47%	0.93	1,780.70
Mutual Fund	18.43	6.66%	0.08	87.73
Non-Life Insurance	10,930.52	14.70%	0.94	3,199.24
Others Index	1,508.53	8.16%	0.82	819.29
Trading Index	2,839.88	7.86%	1.02	182.25

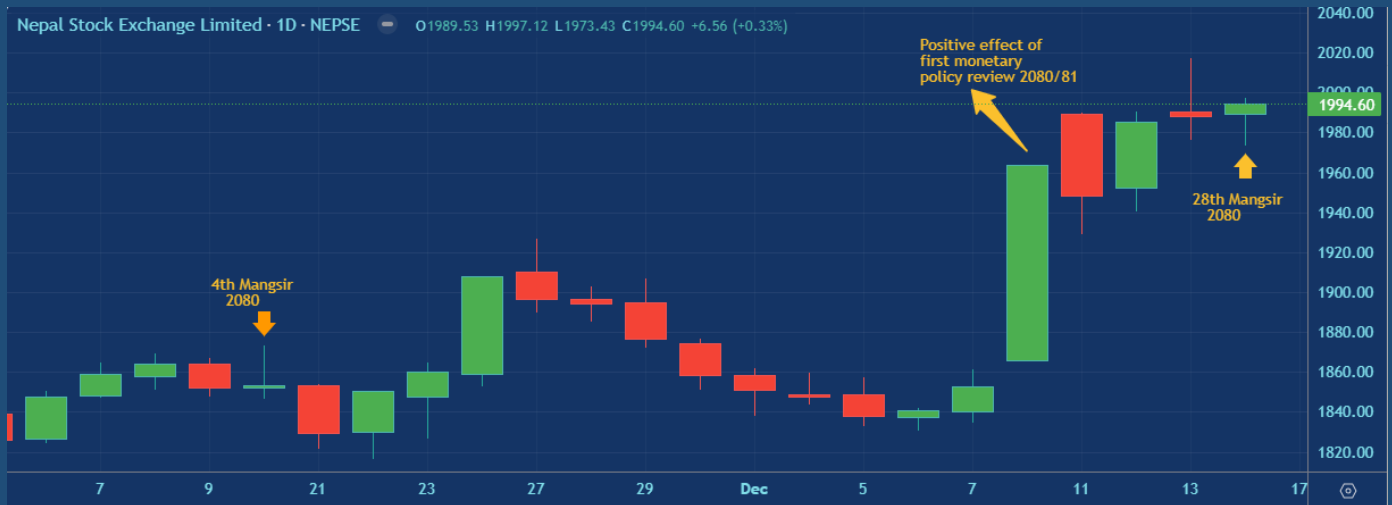
As of the end of Mangsir 2080, the NEPSE Index stands at 1994.6 with a gain of 7.70% from the previous month with the total turnover amounting to Rs.36.40 billion.

Among the sub-indexes, the Non-Life Insurance had the highest gain of 14.70% followed by the Hydropower and Life Insurance Index with a gain of 14.69% and 14.38% respectively. On the other hand, the Microfinance Index and Manufacturing and Processing Index witnessed the least gain of 3.47% and 3.32% respectively.

Regarding beta, the Hydropower Index, Hotels and Tourism, and the Finance Index exhibit the highest beta of 1.41, 1.23, and 1.22 respectively in the month of Mangsir.



MONTHLY NEPSE OVERVIEW



NEPSE index which had declined by -0.67% in the previous month of Kartik 2080 increased by 7.695% in the month of Mangsir 2080 signaling a trend reversal from the previous bearish trend.

The market which had closed at 1852.08 on the last day of Kartik 2080, opened with a gain of 0.07% at the start of the month. A slightly positive sentiment was brought upon by commercial banks publishing decreased interest rates for the month of Mangsir 2080. The average FD rate for individuals in Mangsir is 9.633%, down from the previous month's 9.964% in the commercial bank industry.

For the next two weeks of the month, the index bounced back from the 1830 level and also faced a slight decline, with a low level of volume in the market implying that the investors were on a wait-and-watch strategy until the Monetary Policy 1st quarter review would be published, which according to the sources was supposedly to be published at the end of the week.

The first quarterly review of monetary policy was published on 22nd Mangsir, 2080. In the first quarter of Monetary Policy Review 2080/81, NRB adopted a

slightly expansionary policy in contrast to the existing contractionary policy for reviving the stagnant economy. NRB reduced the existing interest rates which will catalyze further decrease in interest rate to promote lending. Along with the interest rates, NRB also gradually eased up loan flow to real estate and share loans (RWA has been reduced to 125% from 150% for the loans above 50 Lakhs) to encourage more economic activity. Other reforms and policies included loan restructuring and rescheduling for troubled borrowers.

The 1st quarterly review of monetary policy was largely favorable for the investors who were waiting for such changes in the review. Hence, on the first trading day after the 1st quarterly review of monetary policy, the NEPSE Index experienced a circuit break of 6% surge to 1963.98 leading to market halt for the day.

Following the eventful day, NEPSE made a monthly high of 1989.71 only to close in red to indicate a slight correction in the market for the previous day's surge.

For the rest of the trading days of the month, investors showed a positive reaction



with higher trading volume before coming to a close of 1994.60 on the last trading day of the month.

Top 10 Companies with the Highest Market Capitalization

Company	Market Capitalization (in billions)	Weightage in Total Market
NTC	162.18	5.43%
NABIL	141.45	4.74%
CIT	107.87	3.61%
NRIC	88.64	2.97%
NICA	75.62	2.53%
GBIME	71.72	2.40%
NIMB	62.08	2.08%
EBL	61.55	2.06%
NLIC	56.14	1.88%
SCB	49.79	1.67%

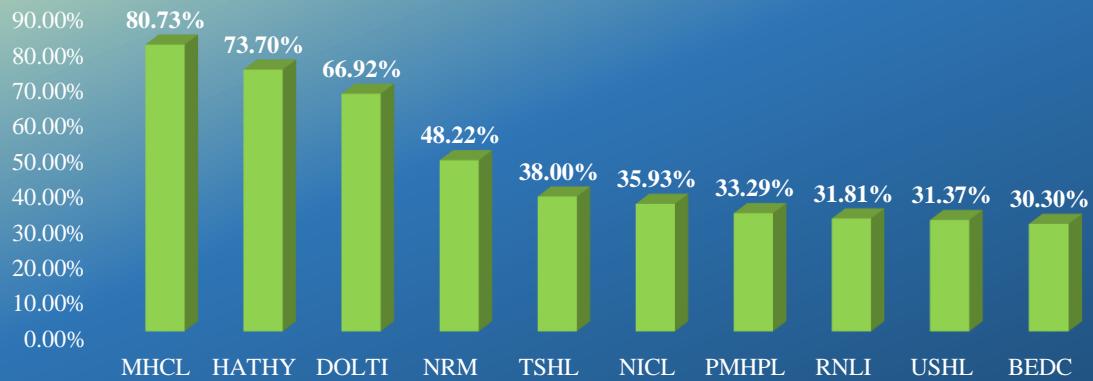
For the month of Mangsir 2080, NTC tops the list of the largest companies listed in NEPSE based on market capitalization followed by NABIL, CIT, and NRIC. The top 10 largest companies based on market capitalization constitute around 29.37% of the total market capitalization of NEPSE.

Top 10 Stocks with the Highest Beta

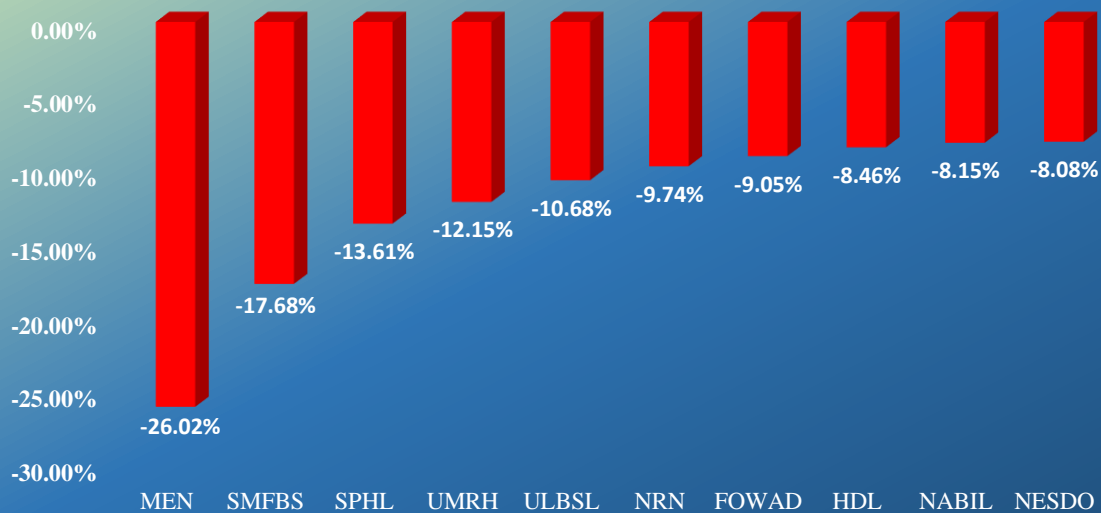




Top 10 Gainers of the month



Top 10 Losers of the month





FUNDAMENTAL ANALYSIS

• Sector-wise PE Ratio

Sector	Kartik End 2080	Mangsir End 2080	Change
Commercial Bank	17.95	18.32	0.37
Development Bank	37.10	39.77	2.67
Finance	-183.90	(203.48)	-19.58
Microfinance	62.06	121.81	59.75
Life Insurance	67.04	50.86	-16.18
Non-life Insurance	39.22	53.25	14.03
Investment	45.38	47.14	1.76
Hydropower	404.23	37.23	-367
Manufacturing	37.58	38.97	1.39
Others	26.87	28.17	1.3
Hotel	71.28	133.40	62.12
Trading	176.17	190.70	14.53
NEPSE PE	32.65	31.89	-0.76

The P/E ratio is the most widely used ratio by investors to ascertain whether the stock is undervalued or overvalued. As a general principle, the lower the PE ratio, the better the company is to invest in.

As of Mangsir's end, among the BFIs, the microfinance sector's PE has increased whereas the finance index's PE is still negative, reflecting their below substandard performance as of first quarter reports.

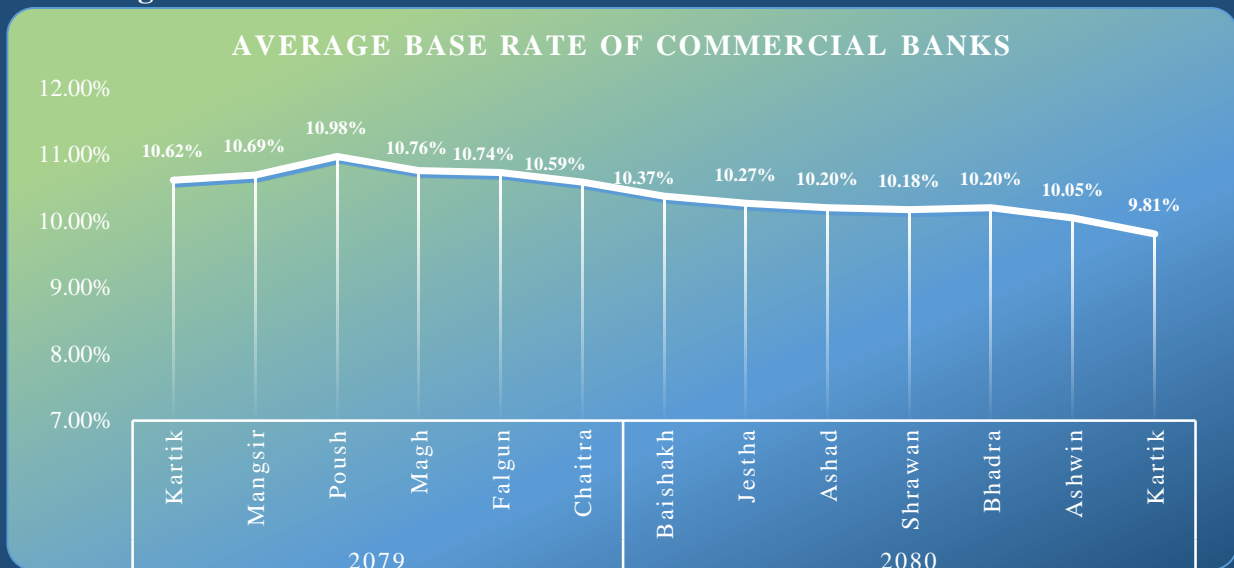
The hydropower sector PE shows a drastic decrease. Such a change is contributed by an impressive increase in profit of UPPER in the 1st quarterly report which has a significant contribution to the hydropower sector due to its market capitalization. Besides UPPER, some of the other hydropower companies in the sector have good performance in the 1st quarter reports. Generally, hydropower companies perform well in the first quarter as the first quarter comprises of wet season mostly.

Most sectors are trading at a relatively higher P/E multiple in NEPSE reflecting the economic downturn's impact on companies' earnings. However, the PE ratio can also be misleading if the growth factor is not taken into consideration. A higher PE ratio if supported by growth factors can also be beneficial for the investment. Overall NEPSE is trading at a P/E ratio of 31.89. The overall NEPSE PE has decreased despite the NEPSE index has increased in the month. This is influenced by impressive performance of hydropower companies according to their 1st quarterly reports.



- Average Base Rate of Commercial Banks**

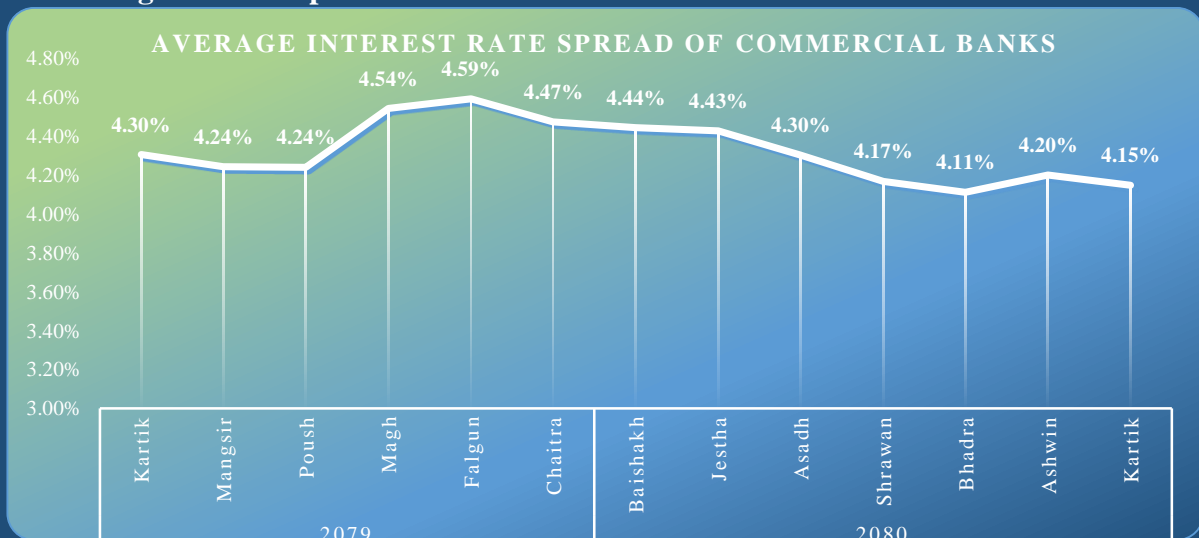
Source: Commercial Banks' Websites



The average base rate has decreased to 9.81% in Kartik 2080 as compared to the previous month. As per the interest rates published by commercial banks for the month of Poush 2080, no commercial bank has increased their deposit interest rates, 18 banks have decreased their interest rates and 2 of them have kept it constant following the previous month's interest rate. The average interest rate has decreased to 8.991% for Poush from 9.633% in Mangsir 2080 which is expected to slightly decrease the average base rate in the upcoming months.

- Average Interest Spread Rate of Commercial Banks**

Source: Commercial Banks' Websites



The average interest spread rate as of Kartik 2080 has slightly decreased to 4.15%. The requirement to maintain a spread rate of 4.00 has been maintained by most banks except the merged banks as they have a grace period of 1 year from the joint transaction commencement date to maintain the spread rate. The recent amendment in Unified Directives 2079 has also stated that the maximum interest rate differential between the same type of loans should be 2% which may potentially lower the lending rate and interest spread rate in the upcoming months.



TECHNICAL ANALYSIS



Weekly chart

Closing Index (12-14-2023): 1994.60

As per Fibonacci Retracement

Support 1: 1810 (-9.25%)

Support 2: 1691.27 (-15.21%)

Resistance 1: 2028.32(1.69%)

Resistance 2:2079.84(4.27%)



Weekly Chart



Candlesticks:

Taking a Technical perspective, the market has shown an upsurge from the consolidated zone (Demand zone) due to the positive effect of the 1st quarterly review of Monetary policy (2080-81). In the month of Mangsir, most of the candlesticks were formed on a sideways trend but in the last week due to the positive effect of the Monetary policy review and other positive signs on macro factors, the market has gained Bullish sentiment along with the rise in confidence level among the market participants as depicted by long bullish candlestick formation and its volume which is more than the average volume. In the coming days if the market sustains the support level of 1820-1860 on the downside and breaks the level of 2015-2040 of the Index on the upper side (Resistance level) of the index a new uptrend can be anticipated.



Weekly Chart

MA (9) & MA (20):

Moving Average (9):

Analyzing the Moving Average 9, on the last week of the month (Mangsir), it's evident the long bullish candlestick has made its closing above the MA 9 line suggesting the likelihood of strong sentiment shortly.

Moving Average (20):

On MA (20), the candlestick of the Index has closed just above the line. If the trend continues and candlesticks close above the line, we may expect a bullish sentiment or vice versa i.e. bearish sentiment.

* Provide for Confirmation of a Bullish rally, a Golden cross-over is needed between MA (9) & MA (20).

RSI:

With the rise in the NEPSE index, the RSI indicator has also gained the same momentum from its support level i.e. 40 points to 53 points indicating possible bullishness in the market.

MACD:

The possibility of pullback sentiment (Bullishness) was suggested by the MACD indicator this month. As MACD is trying to cross the Signal line from below which is supported by a reduction of the gap between the MACD line and Signal line and its histogram above the zero level. If the rally continues we may expect positive outcomes in the market.



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